

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6305
BILL NUMBER: SB 191

NOTE PREPARED: Dec 8, 2011
BILL AMENDED:

SUBJECT: Local Government Investments.

FIRST AUTHOR: Sen. Charbonneau
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: *Period of Investment:* The bill permits a political subdivision to authorize its investing officer to invest public funds for a maximum term of five years. (Under current law, the maximum term is generally two years.)

Investment Policy: It requires the fiscal body of the political subdivision to approve a written investment policy and adopt an ordinance to provide this authority. It also provides that the authority expires on the date that the term of any member ends, excluding a vacancy, for the fiscal body that adopted the policy and ordinance. The bill limits the amount that may be invested for more than two years to 25% of the political subdivision's total portfolio of public fund investments, including transaction accounts.

Effective Date: July 1, 2012.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: To the extent that the return on investment is higher if money is invested for a longer period of time, political subdivisions could earn more interest income on investments. However, any increase in interest income from investments will depend on the market conditions and investments chosen by the political subdivision's investing officer.

The bill also allows an investing officer to contract with a federally regulated investment advisor or institutional money manager. The fiscal impact of this provision will depend on the results of the investments and the fees charged by the advisor or manager.

Background: The bill allows the fiscal body of the political subdivision to adopt a written investment policy. If the written policy is adopted, the fiscal body may adopt an ordinance authorizing its investing officer to undertake an investment of between two and five years from the date of purchase or repurchase agreement for up to 25% of the total investment portfolio. The policy would terminate on the earlier of the date specified in the policy or at the end of the term of the fiscal body. Any investment made under the policy would remain legal, either if the policy terminates or the value of the overall portfolio is diminished.

State Agencies Affected:

Local Agencies Affected: Political subdivisions.

Information Sources:

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